El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
September – November 2013

December 2013

FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT
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ACRONYMS

AECID	Spanish International Cooperation
CSMS	Case Selection Management System
DFDMH	MOF Training and Human Talent Development Department
DGA	Customs General Directorate
DGCG	General Directorate for Government Accounting
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGICP	General Directorate for Public Investment and Credit
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
EU	European Union International Cooperation
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IPSAS	International Public Sector Accounting Standards
IVP	International Visitors Program
JSIIT	Tax Information Integrated System
MOF	Ministry of Finance
PFG	Partnership for Growth
SAFI	National Financial Management System
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
USAID	United States Agency for International Development
WB	World Bank
UNAC	National Procurement Office
HR	Human Resource
COMPRASAL	e-Procurement System
IQC	Indefinite Quantity Contract
LACAP	Procurement Law for Public Entities

Executive Summary

The United States Agency for International Development (USAID) signed a contract with Development Alternatives Inc. on June 10, 2011 to design and implement a program for modernizing and improving fiscal policy and expenditure management in El Salvador.

The purpose of the Fiscal Policy and Expenditure Management Program (FPEMP) is to support a technical assistance program to the Government of El Salvador's (GOES) Ministry of Finance (MOF) in the areas of tax policy and administration, public expenditure management systems, and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

FPEMP has three main components. These are:

1. Component A: Enhanced Public Expenditure Management
2. Component B: Improved Revenue Mobilization
3. Component C: Strengthened Private Sector Engagement

Highlights for September to November 2013, the second quarter of year three, are listed below:

Quarterly results

- Completed IVP to Costa Rica to learn about the Costa Rican experience adopting IPSAS

- Provided technical assistance in the SAFI II treasury module use cases design

- Provided technical assistance in the implementation of the DGP functional administrative reform

- Designed the preliminary plan to strengthen the National Procurement Office

- Supported the working retreat covering the validation of the SAFI II tables and catalogues

- Supported the Directorates' validation of the SAFI II tables and catalogues

- Provided technical assistance in the development of the Directorates' adjusted critical paths

- Completed the TRS cleaning process

- Completed the quality control of the cleaned TCA accounts Procured kiosks for the taxpayer self-service system

- Delivered a training program on CSMS II (audit DGII and DGA)

- Established the DFDMH computer lab

- Improved the DFDMH training rooms

- Continued to strengthen the DFDMH

- Presented the new MOF HR system to the MOF Directors and MOF Union Board
- Provided technical support to the new MOF HR system implementation start-up
- Selected the web graphic design company to modernize the Fiscal Transparency Portal
- Organized the Trilateral Cooperation Conference and Workshop on Fiscal Transparency
- Organized FPEMP activities for the PFG fair hosted by USAID

Other Activities Performed

- Budget modernization project
- Agreement between the Salvadoran MOF and the Costa Rican MOF to use the latter's accounting policy manual
- TSA implementation project
- IPSAS adoption project
- Support for the implementation of the DGP functional administrative reform
- Implementation of the MOF and donors' schedule adjustments related to the public expenditure management project
- Concept test for the COMPRASAL II IT development
- Coordination and support with the WB assessment mission of the SAFI II project
- Implementation of the TCA procedures improvement for DGII and DGT
- Implementation of the TRS and TCA cleaning process institutionalization
- Training program on CSMS II (audit DGII and DGA)
- Development of the DGII audit module and DGA audit sub-module of the CSMS II
- Implementation of the risk management matrix development for tax control implementation
- Implementation of the DGII JSIIT migration process
- Support for the Treasury's Call Center implementation
- Support for EXPRESATE center activities
- Fiscal pact proposal coordination

Introduction

This report covers FPEMP activities during the period from September 1, 2013 to November 30, 2013. The program began on June 10, 2011, when USAID and Development Alternatives Inc. signed the contract. The program is for four years with an optional fifth year. The entire four-year base period concludes on June 9, 2015.

USAID commissioned Development Alternatives Inc. and its FPEMP team to design and implement a program for modernizing and improving public expenditure management, tax policy and administration, and strengthen public-private sector dialogue in El Salvador. The program goals are to build a modern and transparent public expenditure system that follows the best international practices, to strengthen tax policy and administration, to improve revenue collection, and to facilitate private sector outreach.

FPEMP hereby presents the progress achieved, according to the program's three components:

- Component A: Public expenditure management
- Component B: Tax revenue mobilization
- Component C: Private sector outreach

During this quarter, FPEMP made important progress in the International Public Sector Accounting Standards (IPSAS) adoption project, the Treasury Single Account (TSA) implementation, the continuation of the budget modernization project, and the advancement of the fiscal transparency project. Furthermore, the program completed the clean-up of the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA), continued the development of the Case Selection Management System (CSMS) II, and implemented the MOF's training center modernization project. Additionally, FPEMP continued working on donor coordination activities with the European Union International Cooperation (EU), German International Cooperation (GIZ), Spanish International Cooperation (AECID), Inter-American Development Bank (IDB), and the World Bank (WB).

Component A – FPEMP continued supporting the IPSAS adoption project during this quarter by developing an International Visitors Program (IVP) to Costa Rica to learn about their experience adopting IPSAS. Additionally, the program supported the General Directorate for Government Accounting (DGCG) evaluation of the conceptual model and the charts of accounts developed by FPEMP and proposed to the DGCG. It is expected that during the following year the program will gain approval from the Directors.

Regarding the TSA implementation project, FPEMP continued supporting the Treasury General Directorate (DGT) by designing the use cases general description for the treasury subsystem of the National Financial Management System (SAFI) II. The document was submitted to the National Directorate for Financial Administration (DINAFI) and the DGT for review. Currently, the treasury operations are disarticulated and governed by manual and electronic procedures. The new system will incorporate all system components, including the revenue component, and all

operations will be integrated in a "whole treasury system" approach, helping the MOF to use resources more effectively.

Regarding the budget modernization project, FPEMP supported the implementation of the Budget General Directorate (DGP) administrative and functional reform. The designated DGP technical team worked with the Deputy Chief of Party in the development of the new organization structure and the Departments' new functions. Special attention was provided to the monitoring and evaluation role—a new role FPEMP proposed that does not exist within the GOES. This role is of paramount importance for the programmatic budget and results-oriented budget implementation. Additionally, the program is preparing for an IVP to Argentina's Budget Secretariat that will support the Salvadoran DGP staff in learning about the best budget program formulation, result-oriented budgeting, and budget monitoring and evaluation practices.

Moreover, FPEMP in coordination with the EU project supported a working retreat to validate the SAFI II tables and catalogues, the Directorates' validation of the SAFI II tables and catalogues, and the development of the Directorates' adjusted critical paths. The paths were submitted to the Vice Minister of Finance for official approval.

Finally, FPEMP began supporting the National Procurement Office (UNAC) by designing the preliminary plan to strengthen it. Additionally, FPEMP is preparing for an IVP to Panama and Colombia for participants to learn about Indefinite Quantity Contract and Reverse Auction.

Component B – FPEMP continued to make important progress in carrying out tasks under this component. The program implemented activities with the objective of solving the structural conditions that negatively impact the TCA information. The program continues supporting the implementation and migration process of the tax information system—that is the Tax Information Integrated System (JSIIT). During this quarter, the program supported the MOF's implementation of web services for the filing and payment of tax returns rolled out to the two larger banks collecting GOES taxes (more than 60% of all collections).

Regarding the TRS and TCA clean-up, the program completed the task by cleaning 7,730 TRS accounts, replacing 167 Value Added Tax ID cards, cleaning 21,523 TCA accounts, and supporting the 20,926 TCA accounts with final registration. The program will continue requesting that the MOF institutionalize the TRS and TCA cleaning process by assigning permanent staff to perform these functions daily, as that would help to avoid future pollution of the systems.

The program continued with the development of the CSMS II system, the General Directorate for Internal Revenue (DGII) and Customs General Directorate (DGA) audit modules, and the stabilization of the case selection, case administration and fiscal compliance modules.

The program continued following up on the development of the risk management matrix conceptual model development with GIZ. It is expected that GIZ will continue supporting the use cases development and that FPEMP will develop the IT application.

Finally, FPEMP received the six additional kiosks for taxpayer self-service system. The kiosks will be used across the MOF assistance center in the country to provide faster service to taxpayers.

Component C – FPEMP continued working on the fiscal transparency project during the quarter. The program selected the web graphic design company that will support the development of a new proposal for the portal usability and design and a social networks strategy for the new portal dissemination. Additionally, FPEMP planned the activities of the Trilateral Cooperation Conference and Workshop on Fiscal Transparency.

The EXPRESATE center continued to see positive results during the quarter, as 2,485 students have visited the center to date.

Regarding the MOF Human Resources (HR) System, the program supported the MOF in the dissemination of the system to the MOF Directors and MOF Union.

FPEMP completed the development of the MOF Training and Human Talent Development Department (DFDMH) computer lab and the improvements of the DFDMH training rooms. Additionally, the program followed up on the work previously completed in strengthening the DFDMH.

COMPONENT A: Public Expenditure Management

FPEMP continued supporting the MOF in advancing its public expenditure management reform agenda, striving to achieve a budget process that is more effective, transparent, innovative, and responsive. Among others, FPEMP supports the MOF in improving treasury operations, modernizing government accounting through IPSAS adoption, and enhancing its financial management information system.

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE QUARTER

One activity was planned for this quarter based on the previously submitted quarterly report, but was not implemented:

- **IVP to Chile to learn about budget monitoring and evaluation strategies** – This activity was planned and not executed during the quarter. The activity will instead be executed during the next quarter and the IVP will take place in Argentina instead of Chile.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks under Component A during the quarter, including:

- **IVP to Costa Rica to learn about the Costa Rican experience adopting IPSAS** – During the quarter, FPEMP developed an IVP to the Costa Rican MOF for participants to learn about their experience adopting IPSAS. The DGCG Normative Department Manager and the DGCG Accounting Research and Norm Unit Manager participated in the IVP, and they learned about the strengths and weaknesses of IPSAS adoption in Costa Rica, the development of the chart of accounts and the accounting policy manual, the centralized accounting system, the relationship between the budget and accounting classifiers, application guides, financial statements under IPSAS, and IPSAS coverage.

- **Support for the SAFI II treasury module use cases design** – During the quarter, three FPEMP treasury experts supported the SAFI II treasury module use cases design. The design includes 15 use cases for Treasury Basic Entities, 17 use cases for Revenue, 16 use cases for Financial Programming, 23 use cases for Expenditure, and 11 use cases for Operations Conciliation.

- **Support for the implementation of the DGP functional administrative reform** – FPEMP in coordination with the DGP team supporting the DGP reform, presented the adjusted reform plan at the beginning of the quarter. The adjusted plan includes the Programming Division and Expenditure Quality Deputy Directorate with the Monitoring and Evaluation Unit, the Budget Management Division with the Budget Sectors Administration, Social and Economic Development Unit, and Logistics, Institutional Link, Legal and IT Units.

- **Preliminary plan to strengthen the UNAC** – The Chief of Party and the IT manager worked together with DINAFI and UNAC in designing a preliminary strategy for supporting the strengthening of the UNAC. The task includes the development of a proposal for the

implementation of the Indefinite Quantity Contract (IQC) and Reverse Auction procurement modalities, the UNAC technical and functional reform, and the e-Procurement System (COMPRASAL) II.

- **Working retreat to validate SAFI II tables and catalogues** – FPEMP, in coordination with the EU project, funded a three-day retreat for the DINAFI, DGT, DGCG, DGP, UNAC and General Directorate for Public Investment and Credit (DGICP) to work on the revenue and expenditure classifiers and SAFI II catalogues and tables. Throughout the retreat, the group worked on the revenue and expenditure classifiers and the Institutional, Functional, Organizations, Resources, and Geographic Catalogues. Additionally, the teams identified many issues that should be further reviewed, and it was agreed that more meetings would be needed to ensure the Directorates are appropriately prepared.

- **Directors' validation of the SAFI II tables and catalogues** – FPEMP, in coordination with the EU project, supported the Directors' validation of the SAFII II tables and catalogues. The GIZ Project Director as well as Directors, Deputy Directors and technical teams from DGP, DGCG, DGICP, DINAFI, DGT, and UNAC participated. The Deputy Director from DGP noted the importance of the working retreat, as the technical team was able to obtain the necessary agreements. He presented all catalogues, and all in attendance committed to officially send the validation note.

- **Development of the Directorates adjusted critical paths** – During the quarter, FPEMP supported the development of the Directorates adjusted critical paths. The Deputy Chief of Party met with all Directors, Deputy Directors and technical staff in order to create the public expenditure modernization critical paths. By November, DGP, DGCG, DINAFI, DGT, and UNAC presented the paths, and FPEMP officially sent them to the Vice Minister of Finance. It was agreed that the Vice Minister will send an official note with the MOF commitments.

ACTIVITIES/WORK IN PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component A:

- **Budget modernization project** – During the quarter, FPEMP continued supporting the budget modernization project. The program supported the development and validation of the SAFI II tables and catalogues, and the development of the critical paths. Additionally, FPEMP held coordination meetings with the GIZ Project Director to discuss upcoming IVPs to Peru and Argentina for participants to learn from these countries' experience regarding budget programs formulation and monitoring and evaluation.

- **Agreement between the Salvadoran MOF and the Costa Rican MOF to use the latter's accounting policy manual** – The program continued to follow up on the agreement between the two countries. In November the Costa Rican Government sent the final changes to the agreement, and it is expected that it will be signed by the two Ministers of Finance by February 2014.

- **TSA implementation project** – During the quarter, FPEMP continued supporting the TSA implementation project by designing the treasury subsystem use cases. The use cases will be

completed during the next quarter. Furthermore, as of November 2013, the MOF has implemented the TSA in 11 public entities.

- **IPSAS adoption project** – The program continued supporting the DGCG in the understanding and approval of the conceptual model and charts of accounts developed and proposed by FPEMP. It is expected that the project will receive approval from the DGCG in the first quarter of 2014.

- **Implementation of the DGP functional administrative reform** – During the quarter, FPEMP continued supporting the DGP reform. FPEMP requested that the DGP Director review the adjusted reform plan and assign the technical staff that will design the Units' procedures, functions and technical profiles. Many tasks are still pending the approval of the Director, which will lead to some delays.

- **The MOF critical path review and adjustments related to the public expenditure management projects** – The program coordinated and provided support to the MOF in the review and adjustment of the critical paths of the projects related to the public expenditure modernization program. Due to delays from the DGP approval to several components of the budget modernization project, the new budget system will be implemented in 2016, impacting numerous components of the modernization agenda. FPEMP supported the DGCG, UNAC, DGP and DGT in the development of the new reform agenda, which was submitted to the Vice Minister of Finance for final approval and submission to the donors committee.

- **Concept test for the COMPRASAL II IT development** – During the quarter, FPEMP showed to UNAC Manager and technical staff the code generation strategy being used by FPEMP CSMS II developments. This task was performed for them to understand the advantages of the FPEMP strategy and support for the UNAC in the COMPRASAL IT developments.

- **The WB assessment mission of the SAFI II project** – The program provided support and coordination to the WB mission in charge of the assessment of the SAFI II development. The preliminary results of the mission recommend the adjustment of the system to be developed. The first stage of the SAFI II development should include only the subsystem of budget execution and treasury (TSA and financial programming and accounting).

NEXT STEPS

The main activities for the next quarter are:

- **IVP to Argentina on budget program formulation, results-oriented budgeting, and budget M&E** – During the next quarter, FPEMP will conduct an IVP to Argentina on budget program formulation, results-oriented budgeting, and budget monitoring and evaluation. The DGP Director, two technical DGP staff, and the FPEMP Chief of Party will participate in the IVP.

- **Design of the strategy for the budget programs design for the Ministries of Health, Agriculture and Economy**– During the next quarter, FPEMP will start supporting the strategy for the budget program design at the ministry level. The program will conduct an

IVP to Argentina for participants to learn about the Argentine experience in budget program formulation, result-oriented budgeting, and budget M&E. FPEMP will support the Ministries of Health, Agriculture and Economy in the design of the budget programs to be formulated for the 2016 fiscal year budget.

- **SAFI II treasury use cases adjustments** – During the next quarter, the treasury experts that developed the SAFI II treasury use cases design will adjust the first model according to DINAFI and DGT suggestions.

- **Review and approval of the conceptual model of the public accounting system** – During the next quarter, the program IPSAS experts will meet with the DGCG staff to discuss the conceptual model of the new accounting system under IPSAS. It is expected that during the quarter the model will be approved by the DGCG Director.

- **Development of the detailed IPSAS implementation work plan at GOES level** – The program will develop a proposal for the IPSAS detailed implementation work plan that will be proposed to the DGCG.

- **IVP to Panama and Colombia to learn about IQC and reverse auction** – During the next quarter, FPEMP will conduct an IVP to Panama and Colombia on IQCs and reverse auction. The UNAC Manager and two UNAC technicians will participate in the IVP.

- **COMPRASAL II IT development support** – During the next quarter, FPEMP will work with UNAC in the development of the work plan. In coordination with UNAC, FPEMP will define the support scope, necessities, commitments, and technical assistance specifications.

- **Procurement Law for Public Entities (LACAP) evaluation for reverse auction and IQC** – During the next quarter, the program will begin the development of the task of evaluating the LACAP for the draft of a legal reform proposal that will include the reverse auction and IQC contracts modalities. It is expected that this reform proposal will be submitted to the next government administration for consideration.

COMPONENT B: Tax Revenue Mobilization

FPEMP aims to develop a strong, modern Salvadoran tax administration that is more equitable, efficient and taxpayer-friendly.

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE QUARTER

One activity was planned for this quarter based on the previously submitted quarterly report, but was not implemented

- **Queue management system development** –This activity was not included in the original program goals and activities (under the USAID contract) but FPEMP considered supporting the MOF due to the fact that the UNAC strengthening was assigned to the IDB. During the quarter, the MOF requested that FPEMP support the development of UNAC strengthening and of COMPRASAL II second phase development (the first phase was developed with IDB support), due to the fact that the IDB will not continue supporting the task. However, because the MOF did not express interest in the final development of the queue management system, FPEMP eliminated this activity from the program pipeline and will begin working on the UNAC strengthening in the next quarter.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component B during the quarter, including:

- **Completed the TRS cleaning process** – During the quarter, FPEMP completed the clean-up of the 7,730 registries selected by the MOF. FPEMP cleaned 542 large taxpayers' accounts, 1,782 medium range taxpayers' accounts, 5,155 others taxpayer accounts, and 251 Tax ID card duplicities. Additionally, the program replaced 167 Tax ID numbers and performed 40,147 calls. The program will continue with the support and follow up of the institutionalization of the cleaning process.

- **Completed the TCA cleaned accounts quality control** – During the quarter, FPEMP completed the quality control process of 20,926 TCA cleaned accounts. The rest of the quality control process will be performed by the MOF. The program will continue with the support and follow up of the institutionalization of the cleaning process.

- **Procurement of kiosks for taxpayer self-service system** – During the quarter, FPEMP received the six kiosks for taxpayer self-service system. The MOF will install the kiosks in the taxpayer assistance centers across the country.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component B:

- **Follow up on the implementation of the TCA procedures improvement for DGII and DGT** – During the quarter, FPEMP continued to support the improvements in implementation in the banks. As of November 2012, the DGII has implemented web services in 5 out of 9 banks. It is expected that they will finish the implementation in December.

- **Follow up on the implementation of the TRS and TCA cleaning process institutionalization** – The program will provide technical support and follow up to the institutionalization of the TRS and TCA cleaning process. It is imperative that the MOF assign personnel to perform these activities on a regular basis. FPEMP obtained MOF commitment for the implementation of the new offices and the program will provide office and IT equipment and technical support.

- **Training program on CSMS II (audit DGII and DGA)** – FPEMP continued supporting the CSMS II training program to DGII and DGA users; however, because the DGA has not yet given access to their databases some developments are still pending and delaying the training program. To solve this situation, FPEMP has officially sent a letter to the Director requesting access in order to finish the deliverables on time.

- **Development of the DGII audit module and DGA audit sub-module of the CSMS II** – FPEMP has continued with the CSMS II audit module developments. It is expected that the developments will finish in the next quarter. It is important to clarify that some aspects are being developed without the DGA testing. FPEMP has fully complied with the software development schedule, and the modules of DGII and DGA Audit Modules with inside modules such as Certification Module, Portfolio Management Module and Fix Spot Module will be finished by December 31st. Nevertheless, the DGII and DGA have not honored their commitment to assign staff for the testing process. Despite all efforts from FPEMP to comply with the January deployment, the MOF has requested to postpone the deployment until July 2014. The MOF has stated that the lack of support in the testing is due to insufficient IT staff and the complex budget restrictions the GOES is going through. In an effort to accelerate deployment of the system to February 2014, FPEMP will hire two additional IT programmers.

- **Follow up the risk management matrix development for tax control implementation** – The program has been coordinating with the GIZ on the development of the risk management matrix conceptual model. GIZ will support the use cases development and FPEMP will support the IT development.

- **Follow up the DGII JSIIT migration process** – FPEMP has continued following up on the DGII's JSIIT migration process. The MOF has stated that they will finish migrating during the next year. FPEMP will continue to pressure the migration process in order to develop more software requirements requested by the TRS and TCA users.

- **Support for the Treasury's Call Center expansion implementation** – During the quarter, FPEMP continued supporting the treasury call center expansion implementation. To date, the DGT has still not decided where the expansion will be placed.

NEXT STEPS

The main activities for the next quarter are:

- **Follow up the implementation of the TRS and TCA cleaning process institutionalization** – FPEMP will follow up on the project implementation by MOF and will provide office and IT equipment and technical assistance. The MOF has promised to assign personnel by the end of January.

- **Development of the DGII audit module and DGA audit sub-module of the CSMS II** – In the next quarter, FPEMP will complete the CSMS II DGII and DGA Audit Modules with inside modules such as Certification Module, Portfolio Management Module and Fix Spot Module

- **Follow up the risk management matrix development for tax control implementation** – FPEMP will continue following up on the development of the use cases for the risk management matrix, in order to obtain the necessary inputs to proceed with the matrix development.

COMPONENT C: Private Sector Outreach

In component C, the project continued advocating for a political decision from the GOES in moving forward with a strategy that bridges differences and builds consensus through outreach and dialogue. Although the program understands that due to the presidential campaign there is a low likelihood of a political decision on this matter, the program will work in preparing a proposal for the new government. Nevertheless, FPEMP aims to reinvigorate the dialogue between the government, the private sector, and the broader public through the implementation of such alternative strategies as the EXPRESATE center, the improvement of the fiscal transparency portal, and the inclusion of the municipalities in a fiscal transparency strategy.

Additionally, under component C, the project continued supporting the reform of the MOF Human Resources system through the initiative coordinated by Presidential House for the entire public sector and the MOF goals to improve human talent.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component C during the quarter, including:

- **Developed the DFDMH computer lab** – During the quarter, FPEMP developed the DFDMH computer lab. The program provided video and sound equipment, 40 desktops, 40 chairs, and 40 desks. The lab will support all the training to be implemented due to the new budget program, result oriented budgeting and budget M&E methodologies.

- **Improved the DFDMH training rooms** – In addition to the computer lab, FPEMP improved all the other six DFDMH training rooms by providing video and sound equipment and chairs.

- **Followed up the DFDMH strengthening** – During the quarter, the FPEMP Capacity Building Expert followed up on the DFDMH strengthening. Progress on the training curricula and training curses design for all Directorates was assessed. Among the recommendations given were that the DFDMH has to comply with the implementation of the training curricula developed by FPEMP consultants. Recommendations also addressed the important achievement MOF HR achievement in applying the competency methodology, which is the tendency followed by most Latin America countries. Finally, the DFDMH has advanced in the areas of training program formulation, course planning and design and training the trainers in competency based evaluation methodology.

- **Presentation of the new MOF HR system to the MOF Directors and MOF Union Board** – During the quarter, FPEMP in coordination with the MOF HR Department presented the new HR system to the MOF Directors and MOF Union Board. The presentation took place in November and among those participating were the Directorates Directors and Deputy Directors and MOF Union Board Members. The Directors agreed to support the implementation of the new HR system.

- **Supported the new MOF HR system implementation start-up** – In order to implement the new MOF HR system, FPEMP supported the HR Directorate in the formulation of the implementation plan. FPEMP contributed to the formulation of the processes and procedures for each of the components of the HR system which are: performance evaluation, personnel development and training, personnel recruitment, career plans and acknowledgment. The implementation plan was formulated for the next 24 months, and a pilot performance evaluation was undertaken. Also, the MOF Technical Competency Committee was formed with two members of each Directorate as link with the HR Technical Team for the implementation process.

- **Selected the web graphic design company to modernize the Fiscal Transparency Portal** – During the quarter, FPEMP selected the web graphic design company that will modernize the fiscal transparency portal design. The company will start their work assignment during the next quarter.

- **Planned activities of the Trilateral Cooperation Conference and Workshop on Fiscal Transparency** – During the quarter, FPEMP in coordination with the USAID Contracting Officer Representative and USAID Economist Kail Padgitt planned the activities for the Trilateral Cooperation Conference and Workshop on Fiscal Transparency. It was agreed that the Conference and Workshop will be launched by USAID, the Vice Minister of Finance and Brazilian Ambassador to El Salvador. The activities will take place from December 2nd to 6th; the workshop will be delivered by five Brazilian experts and will be attended by MOF Directors and technical staff from all Directorates.

- **Planned activities for the Partnership for Growth (PFG) fair hosted by USAID** – During the quarter, FPEMP planned the activities for the PFG fair hosted by USAID. The objective of the PFG fair organized by USAID is to disseminate all their projects results contributing to PFG milestones. It was agreed that FPEMP will present information on the EXPRESATE Center. The FPEMP team will present two videos, one of a tour around the EXPRESATE Center and the other video about the history of taxation in El Salvador. Additionally, promotional material will be distributed, and playful activities will be implemented to attract visitors

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component C:

- **EXPRESATE center activities support** – During the quarter, FPEMP continued to perform follow-up activities in support of the EXPRESATE center. As of November 30th, the numbers of students that have visited the facilities are 2,485, including 1,343 women.

- **Fiscal pact proposal coordination** – The Chief of Party proposed to the GIZ and AECID Project Directors that the project work with them in the draft of a fiscal pact proposal to be presented to the new government. Both agencies received the proposal with interest and agreed with the strategy of working together in the development of a draft proposal for the new government. The partnership of the three projects will provide strength to the initiative.

NEXT STEPS

The main activities for the next quarter are:

- **Launch of the Trilateral Cooperation on Fiscal Transparency** – During the next quarter, FPEMP in coordination with USAID and the Brazilian Embassy will launch the Trilateral Cooperation on Fiscal Transparency. The US Ambassador to El Salvador, Brazilian Ambassador to El Salvador, the Ministry of Foreign Affairs and the Ministry of Finance will launch the event.

- **Workshops on Fiscal Transparency** – After the launch, five Brazilian experts from the Brazilian Public Expending Accountability Office and the Brazilian MOF will deliver workshops on Fiscal Transparency.

- **Start the redesign of the fiscal transparency portal** – The web graphic design company will start the redesign of the fiscal transparency portal. The company will design all the new components and the modules that the portal will have.

- **Development of the new MOF fiscal transparency portal** – FPEMP will begin the development of all the data upload components that the portal will have. It is expected that the data upload module, previously developed by FPEMP, will be integrated into the new portal design.

- **Work in coordination with other USAID project to approach the municipalities to work on the fiscal transparency portal initiative** – Within the framework of the Trilateral Cooperation on Fiscal Transparency, FPEMP plans to approach at least the municipalities in the metropolitan area in order to gain their participation in the new fiscal transparency portal. The approach will be done in coordination with the USAID Municipal Competitiveness Project and with participation of civil society organizations, such as FUNDE. Coordination meetings will be planned.

MOF's Progress towards GOES Goals

The USAID contract mandates that FPEMP/DAI reports, on a quarterly basis, on the GOES progress toward the following targets:

GOES Target	Progress
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP team in coordination with FPEMP made the necessary adjustments to the DGP administrative and functional reform. Additionally, the MOF with FPEMP and GIZ support modified the budget modernization program work plan.
Implement a fully operational TSA	The DGT continues implementing the TSA, and now has eleven entities integrated into the TSA.
Develop and implement the SAFI II	During the quarter and with the support of FPEMP and the EU the MOF approved all the budget classifiers and tables necessary for the SAFI II development. The WB mission with the support of FPEMP developed an assessment mission for the SAFI II, and it is expected that the WB will recommend developing the SAFI II in several phases; the first phase will include the development of the budget formulation subsystem, treasury (TSA and financial programming) and the accounting subsystem.
Develop and implement an e-Procurement System	The MOF continued advancing the COMPRASAL II development; so far they have developed the Vendors Registry module, the Procurement Plan Module and will develop the Open Management Module with FPEMP support. During the following year the program will continue supporting the COMPRASAL II development.
Increase tax revenues by 2.0% of GDP by 2015	During the quarter, the DGII continued improving the tax collection trough the implementation of the CSMS fiscal compliance module. The direct collection through the CSMS II obtained $1.7 million in direct tax collection; the indirect effect of the tax control is not possible to assess, nevertheless, the use of the new system is responsible for the an important increase on the voluntary compliance side.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF is fully supporting the improvement and modernization of the fiscal transparency portal, including new fiscal data.
Successfully implement current and future tax reforms	During January 2012, the DGII with FPEMP support developed a dissemination strategy of the 2011 fiscal reforms. During the quarter, the DGII continued implementing fiscal reforms.

FPEMP's Progress Report – Performance Indicators

Finally, this report presents FPEMP/DAI progress towards achieving the program results:

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	The project obtained preliminary approval from the DGP Director for the new directorate structure that incorporates the M&E role, a critical role for the result oriented budget implementation. Additionally, the project began the search of budget experts to support the program budget design for the Ministries of Health, Agriculture and Economy.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program began the development of the use cases for the Treasury Subsystem for the SAFI II.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program continued advancing in the development of the DGP administrative and functional reform. Additionally, FPEMP obtained the approval and support of the Argentinian Government for the development of a study tour on budget program design, result oriented budgeting and budget M&E that will take place during the following quarter.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program organized with the Argentinean government the development of a study tour on budget planning and monitoring, the training will be used as a strategy for train the trainers and the DGP staff that will attend the study tour will deliver training to all DGP staff with FPEMP support.
5. Support the MOF in the migration from SAFI to SAFI II	FPEMP began the development of the Treasury Subsystem for the SAFI II and supported the WB mission for the SAFI II assessment. Additionally, FPEMP agreed with the DGCG in the support for the accounting subsystem use cases development.
6. Introduce and promote implementation of IPSAS	During the quarter, FPEMP continue providing support to the DGCG in the understanding and approval of the Public Accounting System conceptual model and the Charts of Account developed by FPEMP.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP worked with USAID in the organization of the Fiscal Transparency

	seminar and the launch of the trilateral cooperation initiative (US, Brazil and GOES). The Brazilian experience and FPEMP support will support the development of a web-based tracking system for the public expenditures.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	During the previous quarter FPEMP finished the TCA cleaning project, during this quarter the program supported the quality control registration task. 20,926 accounts were subject to quality control registration (Final Registration)
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	During the quarter, FPEMP finished the TCA cleaning project. FPEMP exceeded the expectations and the MOF agreed to institutionalize the TRS program.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	During the quarter, FPEMP advanced in the development of the second phase of the CSMS II. Despite the fact that the MOF wants to delay the deployment until July 2014 the program will continue making efforts to comply with a February 2014 deployment.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program continues following up on the TCA and TRS migration, the tax returns reception and tax payment web services implementation.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the program's third quarter, FPEMP provided support to the DGII in the training of 2011 fiscal reforms to 83 MOF personnel.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	During the previous quarters, FPEMP supported the creation of the new large taxpayer office, the Front and Back Office for the large taxpayers, the kiosk system and the strengthening of the audit skills of the large taxpayer office.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the program's third quarter, FPEMP provided support to the DGII in the training of the 2011 fiscal reforms to 1,114 taxpayers.
15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures	During the quarter, FPEMP proposed the GIZ Project and AECID Project to work together in a fiscal pact proposal for the new government. They agreed and during the first semester of 2014 the three projects will work together in the proposal.
16. Development of a Fiscal Transparency	During the previous quarters FPEMP created

Policy with the MOF and GOES	the EXPRESATE Center. The EXPRESATE Center was highlighted by the civil society as a priority in the GOES transparency policy. During the quarter the project advanced in the organization of the trilateral initiative on fiscal transparency.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	During the quarter, FPEMP supported the dissemination of the new HR system developed by the program. Additionally the new computer lab was developed and is now fully operational.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country	FPEMP took the initiative of coordinating efforts with the Spanish and German cooperation to work on a Fiscal Pact proposal for the new government.